

gist

DEPARTMENT OF STATE A/CDC/MR

REVIEWED BY: PACAR DATE: 8/1/80RDS ☐ or XDS ☐ EXT. DATE

TS AUTH. REASON(S)

A quick reference aid on U.S. foreign relations
Not a comprehensive policy statement
Bureau of Public Affairs • Department of StateENDORSE EXISTING MARKINGS ☐DECLASSIFIED ☐ RELEASABLE ☒RELEASE DENIED ☐

PA or FDS Exemptions Embargo

on Grain Sales to the USSR September 1980

Background: In response to the Soviet invasion of Afghanistan, the US took rapid action to demonstrate that Soviet aggression would not go unopposed. On January 4, 1980, President Carter ordered several steps to be taken in the economic and political fields. One was the suspension of 17 million metric tons (MMT) in contemplated US grain sales to the Soviet Union, thereby reducing grain exports in the fourth year of the US-USSR grains agreement (October 1979-September 1980) to the 8 million ton guaranteed availability provided for in the agreement. To compensate for a poor harvest, the Soviets had expected to import about 36 MMT during that period, including 25 MMT from the US. The President also suspended the sales of soybeans and other commodities that would contribute to the Soviet livestock sector.

In briefing the Members of Congress on January 8, the President outlined the purpose of the partial embargo:

We anticipate that this withholding of grain to the Soviet Union will not force them to withdraw their troops from Afghanistan. We understood this from the beginning. We don't think that economic pressure or even condemnation by the United Nations of the Soviet Union will cause them to withdraw their troops. But we hope that we have laid down a marker and let them know that they will indeed suffer, now and in the future, from this unwarranted invasion of a formerly independent, nonaligned country.

The grains embargo is thus an important demonstration of US resolve that the USSR cannot be permitted to conduct "business as usual" so long as it continues its aggression against Afghanistan.

Allied cooperation: The embargo is an example of successful allied economic cooperation in response to the Soviet invasion. Despite serious opposition in some segments of their populations, Canada, Australia, and the European Community have imposed restraints on their sales to the USSR. Australia and the European Community recently agreed to maintain 1980/81 grain sales to the USSR at last year's level, while Canada will hold exports to a "normal and traditional" level. Because of allied cooperation, we estimate that the embargo will deny the Soviets 8-9 MMT of the roughly 36 MMT they had planned to import in the year ending September 30. This means that by October 1980 they will have made up only about half of the 17 MMT suspended by the US.

Argentine exports: Argentine grain exports to the USSR in marketing year 1979/80 were 5.1 MMT. Under the terms of a recently concluded 5-year agreement with the USSR, Argentina would provide the Soviets

DECLASSIFIED

annually with at least 4.5 MMT of feedgrain and soybeans. Despite an increase, Argentine grain exports to the USSR are not large enough to compensate for the restraints imposed by the US and other exporters.

Soviet feed and livestock sector: The grains embargo was directed at Soviet attempts to upgrade the politically sensitive feed and livestock sector. A major benchmark of consumer welfare in the USSR is access to reasonable quantities of fresh food, especially meat. Despite Soviet promises of a steady increase, per capita meat consumption has dropped back to the level of 5 years ago. Because of 1979's poor grain crop--179 MMT, down 25% from the record crop the year before--the livestock sector was particularly vulnerable to restrictions on imports.

- In addition to exacerbating substantially the scarcity caused by the poor 1979 harvest, the restrictions have forced the Soviets to rely on an unpredictable variety of feedgrains and substitutes which arrive on an irregular schedule.
- Soviet meat production dropped 3% below the 1979 level in the first 7 months of 1980. The drop in meat production has been particularly sharp in the last several months, falling by 5% in May, 10% in June, and 15% in July, compared to the same months a year ago.
- By January 1981, livestock inventories may be down 2%-3%. Official Soviet data indicate that in June 1980 the number of swine on state and collective farms was 2% below 1979. Cattle and hog slaughter weights also were below previous levels because of the tight feed situation.
- In recent months there have been numerous reports of extraordinary meat and dairy shortages and related labor unrest in the USSR. Western news reports have attributed work stoppages at Soviet auto and truck plants in May to food shortages.
- Although the Soviets will have an improved grains crop this year--we now estimate a harvest of 210 MMT--continuation of the embargo will curtail Soviet ability to rebuild depleted grain stocks and will have an impact on the Soviet livestock sector for several years.